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The Aldrich plan for
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The Aldrich Plan for Banking Legislation

An Address by the Honorable Frank A.
Vanderlip, President of the National
City Bank, New York, before

THE COMMERCIAL CLUB OF CHICAGO

Sent out with the compliments of George H. Paine, Philadelphia, Pa.

THE ALDRICH PLAN FOR BANKING LEGISLATION

BY THE HONORABLE FRANK A. VANDERLIP

Mr. President, I am profoundly grateful for such a greeting. It is coming home to come to Chicago. When I look over the faces here it seems that at least half of them are very familiar to me, and they call up memories of old days, and most pleasant memories. I know of no honor that could come to me that I would appreciate more highly than the opportunity to be the guest of this Club. I have known for many years what the Club stands for, and it is an honor that I appreciate most deeply and heartily that you have asked me to be your guest.

My subject is perhaps not one well fitted for after-dinner speaking. It is a serious subject. I cannot hope to handle it in any but a serious way. There has seldom been in our history, it seems to me, a more important measure for the consideration of the people. That being so, I believe that you must all get your minds on this proposition which has been put forward for the reform of our monetary system, you must come to understand it, and you must create a force of public opinion behind it that will be strong enough to enact it into a law, for it is only by such a force of public opinion that Congress will ever be moved to legislation on this subject.

The first thing for us to understand is the principles involved in the problem. We must clearly see what the defects are that we wish to cure.

The Chairman has lucidly outlined some of those defects. There were few men in this country half a dozen years ago who could have outlined those defects so lucidly as he has done. We all remember the numberless speeches we have made or heard on this subject in the last few years, but as we look back to them now most of us can, I think, see that the problem has heretofore, as a rule, not been fully grasped. For years we talked about the inelasticity of our currency. That seemed to be the main thing, so far as we could see, for which we needed a cure.

Now, the defect of an inelastic currency is a real one. It is a most important defect. Anything that we have learned about the needs of our monetary and banking situation in later years by no means lessens the importance of this defect of inelasticity

of note issue. I think now that we all understand that a bond-secured circulation is unscientific, that it operates in exactly the opposite way from what it should, that it is unresponsive to the demands of commerce. We know that when bonds securing notes stand at a premium, the motive to issue notes is greater when interest rates are low than when interest rates are high. There is more profit under such conditions in issuing notes in a community where the interest rate is low and the notes are not needed than there is in issuing them in a community where the interest rate is high and there is a need for additional circulation. From every point of view the present bond-secured note issue is illogical, unscientific, and presents one of the chief defects of our banking system.

As we have come better to understand the problem of monetary legislation, however, we recognize that the proposed cures in the way of providing for an asset currency have only half grasped the problem. Had any of those plans been enacted, they might, I presume, have been dangerous. They would at least have been inadequate. A great light broke over our understanding of the subject after the panic of 1907. At that time we went through the experience of a perfectly useless, but a tremendously serious, panic. The country froze up financially. There was little or no intercommunication between centers or between institutions and, in spite of a generally-sound situation, we saw the great mass of banks, perfectly solvent though they were, suspend payment the country over. It was a disgraceful situation, and the disgrace not only hurt us at home but, emphasized as it was by the brutality with which we drew from Europe a hundred millions of gold when Europe could not well spare it, it put us in the light of an international financial nuisance.

The panic of 1907, I think, brought home to everyone who studied the financial situation a clearer view of the defects of our banking system. After that panic we could all more easily understand that there was something beside an unscientific note issue that was the trouble. That clearness of vision was given to some men at an earlier day. I know of no one who saw more clearly, nor expressed what he saw in more lucid language, than did a very distinguished member of this Club.

When Lyman J. Gage was Secretary of the Treasury, he wrote and spoke much on this subject, and what he had to say always showed his large grasp of the situation. In his message to Congress in 1901, he particularly gave as clear and full an account of the shortcomings and defects of our banking system as, I believe, any of us could write today. With almost prophetic accuracy he outlined at that time the general principles which have today been brought forward in the Aldrich plan. I tore a

leaf or two from that report of 1901 because I thought you would all be interested in knowing what your fellow Club member had to say ten years ago about this problem. In that report he said that "Experience shows that our banking system is devised for fair weather, not for storms. The individual banks stand isolated and apart, separated units, with no tie of mutuality between them. There is no obligation of duty from the strong to the weak or exposed, nor any method of legal association for common protection and defense in periods of adversity and depression."

The report goes on with a very clear analysis of our banking position, but I am going to read only his conclusion and his recommendation at that time.

"Argument has been put forward for a system which contemplates a large central bank with multiplied branches. That system, does, indeed, afford the elements which would give the highest assurance of protection against the present evil of individual banks, each an independent unit, with no bond of cohesion, no power of co-operative action, no ability to co-ordinate for the general good or for mutual defense. But the proposition for large central banks, with broad powers for the establishing of branches, offends the common instincts of our people, and may fairly be looked upon as at present impossible of realization. Can not the advantages of such a system be gained in an entirely different form? We justly boast of our political system, which gives liberty and independence to the township and a limited sovereignty to the state, while it confers upon the federal government ample powers for a common protection and the general welfare. Can not the principle of federation be applied, under which the banks as individual units, preserving their independence of action in local relationship, may yet be united in a great central institution? Formed by some certain percentage of capital contributed by the banks themselves, and its management created through the suffrage of all, it would represent the interests of the whole country. With limited powers of control over its membership in the interest of common safety, confined in its dealings to the banks and to the government, it could become the worthy object of a perfect public confidence. By the concentration of unemployed reserves from sections where such reserves were not needed, it could redistribute them in part as loans where most needed, and thus bind together for a common strength and protection the loose unrelated units, in whose separation and isolation the greatest weakness of our banking system is now to be found."

That, it seems to me, was as clean-cut a recognition of the chief defect of our banking system as is possible today, and the proposition which Mr. Gage made at that time is not at all unlike

the one which has been reached after several years of study by the National Monetary Commission.

I might go on to elaborate somewhat this necessity for mobility of reserves, but I think it is something that you all pretty well understand. Our present method of handling bank reserves is an absurdity. Mr. George E. Roberts has likened it to an army that has no leader, every man for himself, and the results which we get are about as satisfactory in finance as would be the operations of such an army in war.

There has occurred to me this illustration. Suppose there were a population on an island separated by but a short distance from the mainland, which they had to reach by boats. Let us suppose that population to be divided into a large number of groups or families, and that there is no great amount of passing to and fro between the island and the mainland. Now, suppose each family or group has sufficient boat capacity to carry fifteen per cent. of its members at any one time. Let us assume that it will be perfectly proper, that there would be no public objection, to any one group going out and gathering into its own uses the boats belonging to another group. Now, under any ordinary circumstances, the boats are sufficient to carry back and forth all the traffic and have a good deal of boat capacity to spare. But let anything occur that looks like a probability that there will be a sudden increase in the demand for boats, and we would find that the strong groups would reach out and gather in to themselves the boats that had been held by the weak groups. They would do that, not because they had any immediate need for them, for they would know that, under all ordinary circumstances, they would by no probability have a demand for boats to carry more than fifteen per cent. of their group at a time. There would be this scramble for boats, merely because each group felt that it must strengthen its position as much as possible to meet some unusual demand. Now, it is not difficult to see the absurdity of such a situation. There would be boats enough, and in great plenty, to supply every need, but if the strong groups gathered to themselves and held unused a larger proportion than the normal percentage of travel, they would by that much rob the others, who would find themselves in command of less than a normal number and who would, therefore, in greater or less degree fail to meet the traffic demand.

Now, we are in just as absurd a situation as that in regard to our bank reserves. At the approach of anything that looks like a financial crisis we find every institution drawing to itself additional reserve. It cannot hope to increase its reserve so it can pay off all its depositors. It would have to have reserve equal to one hundred per cent. of its deposits to do that, and such pro-

vision is out of the question. About all that it really does in seeking to strengthen its position is to embarrass its neighbors and not sufficiently protect itself. If we had had, in the case of our island illustration, all the boats grouped together under a single management, there would have been more than ample transportation facilities to meet every emergency. So with our reserves. If we had those reserves all brought together where the strength of the whole mass would be available for any weak point of attack, where any extraordinary demand in one quarter or another could be readily met without creating general embarrassment, the amount of reserves which we now hold would bear the strongest relation to the deposit responsibility which could be found in any banking situation in the world.

We are now more than amply supplied with reserves. The difficulty is not in amount, but in mobility. It is in the fact that there is no principle of *e pluribus unum* recognized in our banking system. We all stand alone. At the first sign of crisis, or even indication of approaching difficulty, each banking institution struggles to bring into its own vaults an added amount of reserve. Its augmented reserve can under no possibility be sufficient fully to protect it, but its struggle to strengthen its position contributes to almost inevitable general disaster.

In analyzing the defects of our banking system, I would say that the lack of mobility of reserve is the main defect. That is the chief difficulty we must seek to cure. Next to that is the inelasticity of note issue. Out of those two defects—the lack of mobility of reserve and the inelastic and unscientific note issue—out of those two defects flows the consequence that with our present banking system, we are in periods of stress at times unable properly to aid perfectly solvent banks. In a well-organized banking system there should be no insuperable difficulty to a solvent bank being able at all times to rediscount. A solvent bank ought to be able to maintain itself against any local or special pressure that might be leveled against the institution. As our banking system is at present constituted, that is impossible. If we can so adapt our system as to meet these two fundamental requirements, if we can so change it as to give us mobility of reserve and a properly regulated note issue, there should follow from that that we shall have created a situation where any bank that is solvent may be certain that it can rediscount the bills in its portfolio if it is put under special pressure.

I should say then that that is the third requisite of a scientific measure for the reform of banking and currency. We must have a plan that will give us, first, mobility of reserves; second, an elastic note issue; third, an ability always to rediscount for a solvent bank.

There is, however, a fourth great need which a properly devised plan for monetary legislation should recognize. There is an important lack in our banking system which perhaps may not properly be characterized as a fundamental defect, but which is nevertheless of vital importance. I believe one of the greatest needs of the banking system in America is the creation of a discount market. Today the secondary reserves of the banks of the whole nation flow to one center and must of necessity be employed in one way. Such part of our banking funds as experience has taught may be needed on instant notice can be loaned in just one place in the United States where the lender can get them back with substantial certainty on demand. That place is Wall Street. The collateral for such loans is speculative corporate securities. Under our system, it is absolutely necessary that funds of that type, that is to say, the secondary reserves of the banks, must flow in that direction and find lodgment in that quarter. Such a condition is unfortunate from every point of view. It is most unfortunate for commerce that hundreds of millions of dollars are diverted from commercial uses and put to the purpose of carrying speculative securities. It is equally unfortunate for the owners of speculative securities themselves for, while a period of excessively low money may tempt them to increase their holdings, a sudden demand for the repayment of those loans brings them quickly into a disorderly crisis and one that may involve not only them but also disturb the position of the institutions that are the lenders of demand money. Under ordinary conditions the Wall Street call loan market is the only place where loans can be made which will be repaid on demand. At the same time, however, that type of loan is one which will not inherently, in the very nature of it, work itself out toward a repayment. To get such a loan paid there can be only a shifting of the burden. When such a collateral loan is called, either some other institution must take it on, or the borrower must sell the collateral. There is nothing in the nature of the loan that will in the end liquidate it, such as is the case with loans made upon raw material that is to be manufactured, or upon manufactured products that are to be sold, or upon grain that is to be transported and ultimately consumed, or upon any of the commodities of the earth that form the really correct basis for banking loans.

Now, if we had such a discount market as has London, such a discount market as has done so much to foster British trade, we would find that several hundred million dollars now of necessity devoted to the carrying of speculative securities would become available for commercial uses. With such a discount market, banks could invest in commercial paper that had been accepted and endorsed by other banks so that all thought of the

credit of the maker of the paper was lost sight of and its value would be gauged solely by the money market. With such a discount market we would find banks ready to invest in commercial paper of that type because, if they bought it today, they would know they would be in a position to sell it with entire propriety tomorrow if their requirements made that desirable.

With a great mass of commercial paper so accepted and endorsed, banks all over the country would be able to dip into that form of investment today and pour it back tomorrow, or whenever their position changed, and the result would be that there would become available for commercial uses a great fund of money that now cannot be so used because the banks must be in a position to know positively that some portion of their assets is perfectly liquid, some portion of their loans can be, at an hour's notice, converted back into legal reserve. The creation of such a discount market will divert to commercial uses a large part of the fund that now, of necessity, flows into Wall Street and into Stock Exchange loans.

Now, you may well say: "If that is the case, why have we not had bank acceptances before and brought about this beneficial condition?" Bank acceptances alone will not make a discount market. There must, in addition to having a supply of discounts, be the certainty that the holder can rediscount. There must be the certainty that when a bank buys this type of paper, it can again dispose of it, either in the market where it was bought or at some central agency, which will always have the power of rediscount. The creation of a discount market must go hand in hand with the creation of a central institution holding the reserves of the country and therefore having the ability always to rediscount the proper sort of bills for banks having relation with it.

I would, then, say that the four things that we must seek to accomplish by a properly designed financial measure are, first, mobility of reserves; second, elasticity of note issue; third, certainty that solvent banks can rediscount; and, fourth, the creation of a discount market.

The National Monetary Commission, as you know, was appointed after the panic of 1907, with Senator Aldrich at its head. It was composed of fifteen members, and was originally made up of Senators and Representatives. The original members continue to hold their appointment, even if they no longer remain members of the Senate or House. The Commission has studied the subject of banking legislation in the most intelligent and industrious way, since its organization. A portion of the Commission has made two trips abroad, the members have inter-

viewed the leading bankers and economists of Europe, they have asked for carefully prepared contributions from many students the world over and from many practical men. The Commission has thus collected a mass of information which should be invaluable to every student of the subject and to the framers of the law.

Senator Aldrich last fall decided to prepare a tentative plan for presentation to the Commission. He thought that such a plan would serve as a basis of discussion and would be something about which to center the Commission's work. He was unfortunately taken ill, and the plan he had prepared had to be presented in his absence and perhaps before it was fully matured. I know that he did not feel that it was in definitive form, and of course it is not at all in the form of a law, but is merely in the general language of a plan. I suppose most of you are familiar with the plan, but for those of you who are not it would perhaps be worth while to run over some of the general provisions.

It is proposed in the plan to create a Reserve Association, with a charter running fifty years, and with a capital of, say, three hundred million dollars authorized. That capital, however, is to bear direct relation to the capital of those national banks which shall choose to subscribe to it. It is provided that national banks may subscribe to an amount of capital equal to twenty per cent. of their own capital stock, and may subscribe in no other proportion. Half of that is to be called in in cash, and half of it to remain as an unpaid liability. This stock would not be transferable. Only a national bank could own it, and it could be owned only in that proportion of twenty per cent. of the bank's capital. If the bank's capital were increased, it would be forced to subscribe to an additional amount equal to twenty per cent. of the increase. If the bank's capital were reduced, it would surrender a proportionate amount; or if it went into liquidation, it would surrender all of the stock in the Reserve Association.

The plan, then, is so designed that there never could by any possibility be a successful effort to secure control of a large amount of the stock by any single interest.

Then it is provided that the earnings shall first serve to pay four per cent. on the capital invested. After that, a quarter of the earnings would go to the government, a quarter to the stockholders, and half toward the building up of a reserve, but the stockholders may never receive more than five per cent. After the stockholders receive five per cent. and the reserve equals twenty per cent. of the capital, all earnings go to the government.

We see, then, that there is created a stock which not only could not be accumulated by any single interest, but concerning which there would be no motive to accumulate, for it would pay

four per cent. if earned, and could never pay more than five per cent. return.

The plan provides that the head office of the Association shall be in Washington; that there shall be fifteen branches, located in various parts of the country as it may suitably be divided into fifteen districts. These districts are, in turn, to be divided into local associations. A local association may be formed by any ten or more banks, having a minimum aggregate capital of five million dollars. Thus we see that the whole country would first be divided into districts, then subdivided into these local associations, and the local associations would embrace only the national banks that were subscribers to the stock of the National Reserve Association.

The plan of control and government of the Association and of its branches and of the local associations is a somewhat intricate one, but it is worthy of study because it is designed to meet the prejudice that exists against a central bank and to disarm the fear that such an institution might become, on the one hand, the instrument of the so-called money power, or might, on the other, be influenced by political considerations. The plan of government for the Association is built up on lines not unlike the federation of our own government. We have first the local association, for which a board of directors will be elected. In voting for two-thirds of the members of the local association board, each bank, regardless of size, has one vote. In voting for the remaining one-third, each bank votes according to the amount of its capital stock, so that we have the mixed relationship, individual banks, partly, and stock representation, partly, being the voting unit. The directors of the branches are somewhat similarly elected. That is to say, every local association will, through its board of directors, each director having one vote, elect one director of the branch association. Then there will be an additional number of directors of the branch associations, equal to two-thirds of those so directly elected, who will be elected by a stock vote of all the banks in the district.

Then it is provided that there will still be an additional group of directors equal to one-third of the first group, who shall be elected by the other two groups and shall consist of representatives of industry, commerce, and agriculture, and shall not be bankers. That introduces a new element into the control of the organization, one somewhat similar to the control of the Bank of England, where no banker is permitted on the board.

The same general scheme follows on in providing the directors of the Reserve Association itself. There one director will be elected from each of the fifteen districts, the directors of each

branch having each one vote in so electing a director. Then there will be elected two-thirds as many by stock representation. That is, there will be fifteen elected directly by the boards of the branches and there will be ten elected from the whole country by stock representation of the banks. Then there will be six additional directors elected to represent industry and commerce. There will also be ex officio members of the central board consisting of the Governor of the Reserve Association, the two Deputy Governors, the Comptroller of the Currency, the Secretary of the Treasury, and the Secretary of Commerce and Labor, thus bringing the government itself into the management, but only in a fair and proper relation.

The government also has a voice in the selection of the Governor and the Deputy Governors. It is provided that the President of the United States is to select the Governor and Deputy Governors from lists submitted by the directors of the Reserve Association.

So much for the organization. Now, what are the functions of the institution? The function, first, of the local association is that it may guarantee the paper of any individual member, the individual member paying a commission for that purpose. Paper so guaranteed may be rediscounted, as I will explain later on, by the Reserve Association. The Reserve Association may have business relations only with the subscribing banks and with the government of the United States. No individual, no state bank, no other institution whatever except the subscribing national banks and the government of the United States may have business relations with the central organization. The Reserve Association will discount for any bank that has business relations with it, paper having no more than twenty-eight days to run, provided such paper has been created in the course of a regular commercial transaction. The Reserve Association will discount such paper at a uniform rate throughout the United States. That enables any bank at any time to rediscount the short term paper in its portfolio. If conditions arise where a bank is unable to meet its requirements from the short term paper in its portfolio, it may go a step farther and have the local association guarantee paper of longer term, and paper so guaranteed will be rediscounted by the Reserve Association. In the event of a crisis, and with the assent of the Secretary of the Treasury, the local association may guarantee the simple obligation of an individual bank. No local association may guarantee more than a total amount equal to the capital of the banks represented in the local association.

Now we come to the note issue. This is to my mind the most difficult part of the problem which Senator Aldrich had to meet.

I somewhat doubt if he has fully solved it. I presume he would himself hope that further discussion of it would improve this part of the plan. The plan provides that, after the passage of the law, no national bank may further increase its note issue. The banks may retain their present note issue, but if they decrease the notes, they may not again increase and, as I say, they may make no additional issues over what they have outstanding at the time the law is passed. It is provided further that the Reserve Association will take over from the various banks at par, or something above par, the two per cent. bonds which they now hold to secure their circulating notes, and in taking over those bonds the Reserve Association takes over the circulation privilege. If all the banks so surrendered their circulation and sold their bonds, the transaction would give to the Reserve Association some seven hundred millions of circulation secured by bonds. It is provided that additional notes may be issued under a tax, the first hundred millions at three per cent., the second hundred millions at four per cent., the third hundred millions at five per cent., and additional issues thereafter at six per cent. Personally I believe this tax to be a mistake, although there is certainly room for two opinions in regard to it. It seems to me it should be the aim to have the circulating notes of the Reserve Association eventually take the place of the reserve money now in the hands of the people; that there ought to be no barrier in the way of a deposit of gold in exchange for circulating notes. Under this scheme of taxation there would be a penalty placed upon the bank for exchanging its notes for gold. That seems to me to be an error. I believe the notes should be issued untaxed.

There are various minor provisions that it perhaps is not necessary to refer to here. One of the important things is that the bank should always ship free of charge its notes.

Now, I would like to try to take up this plan, as I have hastily outlined it, in the light of these requirements that seem to me necessary for any successful plan for currency reform. Let us take up, first, the question of the mobility of reserve and see what the plan would accomplish. The plan provides that there shall be no change whatever in present reserve requirements of national banks. The money which would go into the Reserve Association as a deposit would be a portion of the cash now held in the vaults of national banks. National banks would still keep with their reserve agent the same amount that they do now, but they would surrender all that portion of the cash now held in their vaults which is not needed for till money. That would produce an amount difficult to estimate, but I think perhaps a thousand million dollars, taking into account the number of state banks that would be converted into national banks. That would

form the greatest fund of reserve money in the world, and it would be available for just the purposes that we want a reserve to be held for. There is nothing in the plan as to what reserve the Reserve Association itself shall hold. The amount of course would be very large; just what, it is difficult to say, but it would perhaps be seventy or eighty per cent., at times even more and sometimes less, but there would be no barrier of legal enactment fixing a definite minimum reserve, the approach toward which would sound the alarm of trouble.

The need for elasticity of note issue is, perhaps, not absolutely met with a taxed circulation, but it is certainly met in a way vastly superior to our present bond-secured circulation. That the plan would afford an opportunity for a solvent bank, under any circumstances, to rediscount its paper is, I believe, not open to question.

In outlining the plan I said nothing of the extension of the powers of national banks so they may accept commercial paper. National banks are to be given the right to accept paper arising out of commercial transactions to an amount equal to not more than one-half their capital. This right of acceptance, taken in connection with the ability of the Reserve Association to rediscount for every bank under all circumstances, will, I believe, create a discount market similar to the discount markets of Europe which will be of enormous value to the commerce of the country, and of the greatest to borrowers and bankers alike. It will, as I have said, take money that now is forced into call loans on speculative securities and make it available for commercial uses.

The four requisites which I have outlined are, perhaps, the ones that an economist would say were necessary and proper requisites of our banking laws. I believe the measure proposed substantially meets those requisites. It is not enough, however, to devise a plan that will adequately meet the requirements which the economists alone would lay down. We have, first, to make an adequate plan, but we must necessarily have one that can be enacted into law. It is necessary to create a plan that will, besides meeting the correct economic requirements, avoid, to the largest extent, the creation of political opposition. This plan of Senator Aldrich's has, it seems to me, been most ingeniously drawn to that end.

In the first place, there might be opposition by the banks themselves, if there were to be any invasion of what they regarded as their vested rights. If there were to be created a great competitive institution, similar to the earlier Banks of the United States, or to the great central banks of Europe, that opposition

would be immediately aroused. But this plan provides the least possible interference with the present methods of doing business. It creates an institution which will, in no wise, compete for the business that banking institutions are now doing. It ought, therefore, to meet with no opposition on that score from the banks.

There is, too, what might be called the historical prejudice and the geographical prejudice that we might find in political circles against a central banking institution. It seems to me that the plan has been wonderfully well devised to meet such political prejudice. The historical prejudice against the central bank is against an institution that might become a great financial power, controlled either by politics or by strong financial interests. The scheme of control is undoubtedly so ingenious that this proposed institution could never become the object of financial domination or of political intrigue. It seems to me that it is so designed, therefore, that this historical prejudice has been well met.

Then, as I have said, there is the geographical prejudice, the prejudice of the West against the East, of the country against the city. It would be hard to imagine a fairer measure than this from that point of view. The headquarters of the proposed Reserve Association are to be in Washington. New York will have only such a branch as Chicago or New Orleans or San Francisco, or any other of the fifteen points that will have branches. The rate of discount is to be uniform throughout the United States. Every national bank may participate in all the benefits. There are no prohibitions. It is fair and equal for every national banking institution, and the door is thrown open for the creation of institutions other than the present types of national banks, so that none need be kept out of the system. It is the aim of the measure so to open the door that state institutions, trust companies, banks doing a savings bank business, banks having deposits of a time character that they may desire to loan upon real estate, may all come in under the national system, and may all participate fully in the benefits of this Reserve Association. It would seem then that any question of geographical prejudice had been very fully met.

But left to itself, this measure will never pass Congress. Indeed, I do not suppose it will receive an early endorsement by the National Monetary Commission itself without the force of public opinion back of it. There must be created an intelligent public opinion that will demand this legislation. We must have another campaign such as we had when we established the gold standard. It is going to mean work by the people who know something about this subject. It is going to mean a vast amount

of work, but such work is to attain an object that is certainly worth attaining. In my opinion there has been no more important question than this before the American people since the settlement of the great Civil War questions, with the single exception of the gold standard itself. That a measure embodying the underlying principles that are contained in this plan will, if adopted, be to the interest of every citizen, no matter how humble, I cannot doubt. It will, I believe, be to the interest of the humble citizen even more than to the interest of the wealthy.

I perhaps might well be asked why I, as an official of the largest bank in the United States, should advocate the creation of a larger bank. That is certainly a question that has made me stop to give very careful consideration to this plan. But I believe the passage of such a plan as this will give such continued and abounding and substantial prosperity to the country that the National City Bank can very well afford to take second place, decidedly a minor place, in order to share with other institutions that prosperity. It seems to me you can go through the whole line of citizenship and you should, when this plan is intelligently understood, find approval of it. The laboring man who wants a permanent job ought to be for this sort of legislation; the man who wants to see continued, steady and orderly development of the country's resources ought to be for it, for it will have an enormous influence toward that end; every commercial borrower of money ought to be for it.

We must not sit down now, when the situation is quiet and conditions bearable, and think we have something in the way of a banking system that is good enough. The banking system of this country is going to be subjected to as great strain, certainly, in the future as it has been in the past. With the radical political tendencies of the day, with the drift toward government interference or control of corporations, with all the adjustment which is ahead between our business methods and our legislation, it is no time to sit idly by with a defective banking system.

The whole world is united in agreement that we have about the worst system of banking that there is anywhere in existence. It makes of us, as I have said before, an international nuisance. With our great financial strength we can brutally go into the gold stocks of Europe and utterly upset the financial systems of other nations. They see clearly enough the need that there is here for a reform of our banking laws, and the relief which Europe and the whole world would feel when a reform of our system was accomplished would be reflected in a worldwide greater prosperity.

Believing as I do that in the plan we have been discussing are embodied sound economic principles, I believe it is the duty of every one of you here—and there could be gathered together no more influential group of men in this country—to study this measure, to understand it, and to work for it. It is from out of the West that the necessary force of public opinion must come. In the nature of things that force will not originate in New York, and it really ought not to originate there. In some ways I think it is perhaps an error for me to stand here speaking to you about this plan, for that fact might give ground for some people to say that the whole scheme for banking and currency legislation is a Wall Street scheme. This plan, it seems to me, is a scheme that Wall Street—if one means the speculative community—ought to be working and speaking against, for it is a plan that will certainly mean higher money for speculative purposes. It is a plan that is going to withdraw hundreds of millions of dollars from the uses of speculative Wall Street and turn that flood of money into the channels of trade.

There ought to be started, here in the West, a movement similar in some respects to the Indianapolis Sound Money movement. If you would do that here in Chicago, the movement would grow, I believe, with astonishing rapidity, for, unless I am entirely mistaken, the country is ready to study, to discuss, and to understand this subject. There ought to be started here some movement which will force to the attention, first of the National Monetary Commission—which is none too quick to grasp the need of quick action—and then of Congress, the very great importance of the enactment of such a measure as this. I know of no duty that this Club might perform that would be more helpful to the whole country than would be effective action on its part which would contribute to a better understanding of the need for monetary legislation.

**END OF
TITLE**